



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

August 25, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **Sheriff Contract City Billing Practices Status Report**

On May 25, 2004, your Board requested that the Auditor-Controller, in conjunction with the Sheriff's Department, Chief Administrative Office (CAO) and County Counsel to immediately begin implementing the recommendations in the CAO's "Review of Contract Law Enforcement Services Costs" report issued on May 20, 2004.

The principal recommendation was to review each of the Sheriff's organizational units and support costs to identify costs that are excluded from the contract city cost model and to make recommendations regarding billing those costs. We were also requested to review potential unintended outcomes of billing the costs, including potential impacts to public safety, and to report our progress quarterly for the next six months.

We initially delayed this review due to recent Board discussions regarding the Sheriff sales tax initiative because this initiative could have resulted in either the cancellation of the study, or major modifications to the scope of our review. However, upon the conclusion of those Board discussions in mid-July of 2004, we began the study.

Progress to Date

We have discussed the unbilled costs issues with staff and management of the Sheriff, CAO, and Auditor-Controller (A-C) cost accounting staff, and held a preliminary discussion with the California Contract Cities Association (CCCA). The CCCA established a subcommittee to periodically meet with the A-C study team to discuss issues and provide input. In addition, we obtained a more detailed understanding of the Sheriff's unbilled costs indicated in the CAO's May 20, 2004 report.

Preliminary Findings

We determined that prior to July 2004, the Sheriff did not have mechanisms in place for many bureaus/units to determine the amount of services provided to contract cities, independent cities and unincorporated areas. Because the Sheriff was not required to track this information, sufficient records/data necessary to determine these amounts was not accumulated and may not be available. The percentages of services for contract cities and the other service groups the Sheriff provided for the May 20 report were based upon estimates. We are reviewing alternative approaches to estimating the percentages of services.

The Sheriff is currently developing service tracking procedures, and we will assist the Department in implementing them. We also noted that data used to determine the unbilled costs may be outdated, and accordingly we will be working to update the costs. We also discussed with Department management several of their concerns regarding the negative implications of changing the current cost model.

Next Steps

We plan to review Sheriff Department support units to continue our efforts to identify potential billing methods for currently unbilled costs. We also plan to:

- Meet with the CCCA subcommittee to obtain their perspective on several key issues, including State and County policies and "countywide services" costs
- Further study the unbilled component of the Aero Bureau
- Evaluate the accuracy, timeliness, and completeness of reported unbilled costs
- Evaluate the effectiveness of Sheriff's newly implemented service tracking procedures
- Evaluate the potential impact of various billing methods, and
- Continue discussing with the Sheriff their concerns related to the impact of a contract city billings policy change

Please call me if you have any questions, or your staff may contact Mike Pirolo at (626) 293-1110.

JTM:MO:MP

c: David E. Janssen, CAO
Leroy D. Baca, Sheriff
Raymond G. Fortner, Chief Deputy County Counsel
Violet Varona-Lukens, Executive Officer
California Contract Cities Association
Public Information Officer
Audit Committee